

Message Text

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70

ACTION AF-18

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 COME-00

SCEM-02 L-03 PA-04 PRS-01 USIA-15 DOTE-00 CIAE-00

INR-10 NSAE-00 XMB-07 AGR-20 SCI-06 INT-08 DRC-01

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R 190945Z OCT 73

FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC 9871

INFO AMEMBASSY LAGOS

C O N F I D E N T I A L MONROVIA 5771

E.O. 11652: N/A

TAGS: ENRG BGEN PFOR LI

SUBJECT: FURTHER DEVELOPMENT AT SUNOCO'S LIBERIA REFINING CO.

REF: A. MONROVIA 5329

B. STATE 196069

1. SUNOCO'S LIBERIA REFINING CO. (LRC) MANAGING DIRECTOR JAMES REEVES CALLED ON AMBASSADOR OCTOBER 18 TO REPORT LATEST MEETING WITH FINANCE MINISTER STEPHEN TOLBERT OCTOBER 16. ACCORDING REEVES, TOLBERT POINTED OUT LRC OPERATING UNDER CONCESSION AGREEMENT WHICH INCLUDES GUARANTEE CRUDE SUPPLY LIBERIAN REFINERY, AND QUESTIONED WHETHER LRC RELIANCE GOL NEGOTIATIONS WITH CON FOR NIGERIAN CRUDE (REF A) MIGHT IMPLY ABNEGATION CONCESSION AGREEMENT. REEVES REPLIED THAT, WHILE LRC HAVING DIFFICULTY OBTAINING CRUDE AT PRICE ACCEPTABLE IN TERMS LIBERIAN MARKET AND PRICE STRUCTURE, COMPANY NEVER INTENDED CONVEY IDEA IT MIGHT NOT BE ABLE SUPPLY CRUDE UNDER ANY CIRCUMSTANCES. TOLBERT THEN ASKED IF GOL SHOULD BACK AWAY FROM CRUDE SUPPLY NEGOTIATIONS, TO WHICH REEVES REPLIED IN AFFIRMATIVE IF SUCH GOL ASSISTANCE WAS TO BE CONSIDERED
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AS VOIDING CONCESSION.

2. REEVES EXPLAINED TO AMBASSADOR THAT PRESENT MIDDLE EAST SITUATION, WITH SHARP CRUDE PRICE INCREASES AND PRODUCTION CONTROLS, MAKES LRC PROBLEMS EVEN MORE CRITICAL THAN EARLIER REPORTED. PRESENT LRC CRUDE SUPPLY CONTRACT WILL END FEBRUARY 23, 1974, AND, WITHOUT NEW INPUT, PRODUCTS WILL DISAPPEAR FROM MARKET IN MARCH- APRIL. TO AVOID MARKET INTERRUPTIONS LRC WILL NEED BEGIN LIFTING CRUDE FROM NEW SUPPLIER BY FEBRUARY 1. ALSO, CRUDE PRICES NOW BEING ANNOUNCED BY OPEC COUNTRIES AND SHARPLY RISING TANKER COSTS WILL REQUIRE LIBERIAN PRODUCT PRICE INCREASES FAR IN EXCESS THOSE REPORTED REF A., AND REEVES WONDERS (AS DO WE) WHETHER GOL WILL NOT FEAR POLITICAL CONSEQUENCES SUCH INCREASES.

3. REEVES REPORTED THAT SUNOCO "BELLIGERENT" ON ISSUE OF MAKING LRC SHOW PROFIT IN 1974. STILL INSISTED THAT SUNOCO PARTNER IN LRC, HYDROCARBON RESEARCH CORP., HAS SOME FORM USG POLITICAL RISK GUARANTY, AND HAS THREATENED SEND COPY TO MINISTER OF FINANCE TOLBERT AS WARNING. REEVES SAID HE INSISTED SUCH THREATS NOT BE MADE. HOWEVER, HE CLAIMED FEAR THAT IN NEGOTIATIONS WITH GOL PRICE COMMISSION (TO BEGIN FIRST WEEK OF NOVEMBER) GOL WILL TRY HOLD PRICES BELOW LEVEL OF PROFITABILITY "JUST AS THEY HAVE FOR THE PAST FIVE YEARS." THIS UNACCEPTABLE TO SUNOCO.

4. REEVES STATED HE FEARS TOLBERT PERSONALLY TRYING SQUEEZE LRC OUT SO THAT HE CAN TAKE OVER REFINERY. TOLBERT VISITED LAGOS OCTOBER 17-18 AND IT CONCEIVABLE HE FEELING OUT NIGERIAN CRUDE SUPPLY SITUATION. HOWEVER, PROOF OF TOLBERT INTENTIONS WILL PROBABLY NOT COME UNTIL PRICE COMMISSION MEETINGS IN NOVEMBER, IF THEN. IF PRICE COMMISSION DENIES ADEQUATE PRICE INCREASES, REEVES SAID HE EXPECTS TOLBERT MAKE OFFER BUY LRC AT PERHAPS 25 CENTS ON DOLLAR, AN OFFER WHICH SUNOCO "JUST MIGHT ACCEPT".
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